

**CAMPBELL COUNTY BOARD OF EDUCATION**

**June 30, 2003**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT*

**CAMPBELL COUNTY BOARD OF EDUCATION  
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## INDEPENDENT AUDITORS' REPORT

State Committee for School District Audits  
Campbell County Board of Education  
Alexandria, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County Board of Education, as of and for the year ended June 30, 2003, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Campbell County Board of Education management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements included as an appendix to the state audit contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County Board of Education, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2003, on our consideration of the Campbell County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

As described in Note 3, the Board has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2003.

The management's discussion and analysis and budgetary comparison information on pages 1 through 10 and page 17, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

State Committee for School District Audits  
Campbell County Board of Education

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Campbell County Board of Education basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. The combining and individual nonmajor fund financial statements and the supplementary schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VonLehman & Company Inc.

Fort Mitchell, Kentucky  
November 24, 2003

**CAMPBELL COUNTY BOARD OF EDUCATION  
ALEXANDRIA, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED**

As management of Campbell County Board of Education (Board), the governing body for the Campbell County School District (District), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. This is the first year the Board has prepared an annual financial report using the financial reporting model that is a combination of both government-wide financial statements and fund financial statements.

**Financial Highlights**

- In fiscal year 2003, the Board implemented the new reporting model prescribed by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). Consequentially, the audited financial statements for the Board are significantly different from those of prior years but will hopefully provide the reader with a better picture of the Board's financial operations and condition. Just as important, it allows the Board to receive an unqualified audit opinion in conformity with U.S. generally accepted accounting principles.
- As part of GASB 34, the Board has included in its financial statements for the first time the cost, or estimated historical cost, and the related depreciated value of its most significant fixed assets, including land, buildings and improvements, vehicles, computers, and other individual property items with a cost of \$1,000 or more. At June 30, 2003, such assets totaled approximately \$55.2 million with a net depreciated value of \$35.1 million. The outstanding balance of debt incurred to acquire such assets totaled \$26.4 million.
- During the year, with community input and in accordance with the required procedures of the Kentucky Department of Education (KDE), the Board revised its District Facility Plan. As part of the deployment of this plan, the Board approved the construction of a new elementary school near Alexandria, Kentucky, with a capacity of 700 students plus 50 preschoolers. The approximate total cost of this project would be \$12 million to be financed by a bond issue which would be paid for over a twenty year period.
- In March 2003 the Board essentially refinanced two older bond issues by issuing revenue refunding bonds totaling approximately \$13.9 million. By refinancing at lower rates and extending the maturity of the new bond issue approximately five years beyond the older issues, the Board was able to increase its bonding capacity, based on then-current interest rates, by an estimated \$8 million. This paves the way for being able to affordably finance the purchase of land and the construction costs related to the proposed new elementary school.
- The Board sold an old school building in Cold Spring, Kentucky, after concluding that its functional age prohibited it from being an important part of the Board's efforts to provide quality educational facilities for the District's students. The building and approximately 8.1 acres of land were sold for \$700,000 with a net book gain of approximately \$593,000.
- The 2003 expenses for wages and salaries reflect an approximate 5% average increase for Board employees compared to their individual wages and salaries for the prior year.

**CAMPBELL COUNTY BOARD OF EDUCATION  
ALEXANDRIA, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

- Whereas the total revenues for the General Fund (net of on-behalf payments by the state reported in the current year but not in previous years) increased approximately 2.4% from fiscal year 2002 to fiscal year 2003, the revenue paid by the state under the basic SEEK program actually decreased by 1.8% from approximately \$10.6 million to \$10.4 million. It is a concern of the Board that the continued budgetary problems for the Commonwealth of Kentucky, plus the regressive structure of the SEEK formula in regards to local property assessments, will cause further, but more serious, declines in future state revenues, resulting in an erosion of the financial resources needed by the District to educate its students.
- The unreserved portion of the ending balance for the General Fund increased from approximately \$3.3 million at the end of 2002 to \$3.4 million at the end of 2003.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the report on the Board's basic financial statements. The Board's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

**District-Wide Financial Statements**

The district-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Board's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The statement of activities presents information showing how the Board's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the Board that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the Board include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 11 and 12 of this report.

**CAMPBELL COUNTY BOARD OF EDUCATION  
ALEXANDRIA, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school boards utilizing the MUNIS administrative software. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust-type funds established to aid in student education and welfare and staff support; in the Board's case the fiduciary funds represent the activity funds held by the schools. The only proprietary fund is the food service operations. All other activities of the Board are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 through 21 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 37 of this report.

**District-Wide Financial Analysis**

The current year's financial statements are significantly different from past years as a result of implementing GASB 34. Therefore comparable data is not available for the prior year of 2002. In subsequent years there will be comparisons of current-year results with the prior year.

As part of the implementation of GASB 34, the Board recorded fixed assets and debt in its financial statements for the first time in 2003. The perspective of the statement of net assets is of the Board as a whole. Table 1 provides a summary of the Board's net assets for 2003:

**CAMPBELL COUNTY BOARD OF EDUCATION  
ALEXANDRIA, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Table 1  
Net Assets**

	Period Ending June 30, 2003		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current Assets	\$ 6,536,755	\$ 156,573	\$ 6,693,328
Capital Assets, Net	33,545,708	1,581,508	35,127,216
Total Assets	<u>40,082,463</u>	<u>1,738,081</u>	<u>41,820,544</u>
<u>Liabilities</u>			
Current Liabilities	4,077,089	33,536	4,110,625
Noncurrent Liabilities	24,681,394	-	24,681,394
Total Liabilities	<u>28,758,483</u>	<u>33,536</u>	<u>28,792,019</u>
<u>Net Assets</u>			
Investments in Capital Assets			
Net of Related Debt	7,176,725	1,554,454	8,731,179
Restricted	-	-	-
Unrestricted	4,147,255	150,091	4,297,346
Total Net Assets	<u>\$ 11,323,980</u>	<u>\$ 1,704,545</u>	<u>\$ 13,028,525</u>

Over time, net assets may serve as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by a total of approximately \$13.0 million as of June 30, 2003.

The largest portion of the Board's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt that is still outstanding and used to acquire those assets. The Board uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Board's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2 reflects the change in net assets for fiscal year 2003. It should be noted that on-half payments are included in both revenues and expenses for the first time as part of the implementation of GASB 34. (See Note 15 of the accompanying Notes to the Financial Statements.)

**CAMPBELL COUNTY BOARD OF EDUCATION  
ALEXANDRIA, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Table 2  
Change in Net Assets**

	For the Period Ending June 30, 2003		
	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 650,566	\$ 1,024,730	\$ 1,675,296
Operating Grants and Contributions	7,513,288	601,478	8,114,766
Capital Grants and Contributions	-	82,022	82,022
Total Program Revenues	<u>8,163,854</u>	<u>1,708,230</u>	<u>9,872,084</u>
General Revenues			
Property Taxes	10,467,799	-	10,467,799
Other Taxes	3,233,880	-	3,233,880
Federal and State Aid			
Not Restricted for Specific Purposes	10,594,610	-	10,594,610
Earnings on Investments and Deposits	187,754	2,438	190,192
Gain on Disposal of Capital Asset	591,863	-	591,863
Miscellaneous	151,443	-	151,443
Total General Revenues	<u>25,227,349</u>	<u>2,438</u>	<u>25,229,787</u>
Total Revenues	<u>33,391,203</u>	<u>1,710,668</u>	<u>35,101,871</u>
<b>Program Expenses</b>			
Instruction	16,792,331	-	16,792,331
Supporting Services			
Student	1,427,838	-	1,427,838
Instructional Staff	1,375,343	-	1,375,343
District Administration	898,582	-	898,582
School Administration	1,728,157	-	1,728,157
Business	299,897	-	299,897
Central Office	592,642	-	592,642
Plant Operation and Maintenance	3,279,610	-	3,279,610
Student Transportation	2,257,367	-	2,257,367
Community Service Operations	243,177	-	243,177
Food Service Operations	1,695	1,740,558	1,742,253
Facilities - Site Improvement	76,847	-	76,847
Interest on Long-Term Debt	2,399,248	-	2,399,248
Depreciation	1,657,381	-	1,657,381
Total Expenses	<u>33,030,115</u>	<u>1,740,558</u>	<u>34,770,673</u>
Increase (Decrease) in Net Assets	<u>\$ 361,088</u>	<u>\$ (29,890)</u>	<u>\$ 331,198</u>

**CAMPBELL COUNTY BOARD OF EDUCATION  
ALEXANDRIA, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Governmental Activities**

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3 indicates the total cost of services and the net cost of services for governmental activities supported by tax revenue and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$ 16,792,331	\$ 16,753,540
Supporting Services		
Student	1,427,838	1,427,838
Instructional Staff	1,375,343	1,375,343
District Administration	898,582	809,320
School Administration	1,728,157	1,728,157
Business	299,897	299,897
Central Office	592,642	592,642
Plant Operation and Maintenance	3,279,610	3,247,113
Student Transportation	2,257,367	1,772,596
Community Service Operations	243,177	237,932
Food Service Operations	1,695	1,695
Facilities - Site Improvement	76,847	76,847
Interest on Long-Term Debt	2,399,248	2,399,248
Depreciation	1,657,381	1,657,381
Total Expenses	<u>\$ 33,030,115</u>	<u>\$ 32,379,549</u>

The dependence upon tax revenues for governmental activities is apparent. Approximately 67% of instruction activities are supported through taxes and other general revenues. For all governmental activities, such revenues provide approximately 75% of the support. The community, as a whole, is the primary support for the students of the Campbell County School District.

**Business-Type Activity**

The business-type activity of the Board is the food service operation. The greatest portion of the revenues for this program comes from sales to students and others, totaling approximately \$1,025,000 in 2003. Other revenues came from Federal and state contributions, totaling \$491,000, and from commodities donated by the Federal government, valued at \$82,000. Expenses and transfers for food service operations totaled approximately \$1,630,000 which exceeded total revenues for the year by approximately \$30,000.

The Board continues to monitor the food service operation to ensure that it does not require large contributions from the General Fund. Prices for meals and other products sold are increased from time to time to ensure that revenues are sufficient for this operation to be self-supporting.

**CAMPBELL COUNTY BOARD OF EDUCATION  
ALEXANDRIA, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**The Board's Funds**

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of approximately \$48.3 million and expenditures and other financing uses of approximately \$47.3 million. Net of the amounts related to the \$13.8 million in revenue bond refundings, these respective amounts were \$34.5 million and \$33.5 million. The positive change in fund balances for the year is primarily due to the \$700,000 provided by the sale of the old school building in Cold Spring, Kentucky.

**General Fund Budgetary Highlights**

The Board's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year but are nevertheless reflected in the overall budget. A tentative budget is adopted by the Board by the end of May for the subsequent year. A working budget is adopted by the end of September for each fiscal year following the determination of the enrollment at the beginning of the new school year, the tax assessments and rates that will be used to determine the property tax revenues, and the salaries for new employees/positions.

The most significant budgeted fund is the General Fund. By law the tentative budget for the General Fund adopted in May must have a minimum 2% contingency based on expenses for all funds. Although no such minimum is required in the September working budget for the General Fund, the Board adopted a working budget for fiscal year 2003 with a contingency of approximately \$750,000, an estimated 2.3% of the expense for all funds and included in the budget as part of the district administrative expenses.

Generally, there are no major subsequent adjustments to the budget adopted in September. However, in 2003, the budget was adjusted later in the year to reflect the proceeds that were eventually received from the sale of the school building and 8.1 acres of land in Cold Spring, Kentucky.

**On-Behalf Payments and Budget Variances**

As part of GASB 34, in 2003 the Board's financial statements show, for the first time, payments made by the Commonwealth of Kentucky that benefited the students or the employees of the Board. For the General Fund, these include amounts paid by the state for teacher retirement, health insurance, flexible-spending health benefit contributions, life insurance, and expenses related to the education of District students at state-operated schools. For the audited financial reports, such on-half payments were added to the Board's related revenue and expense line items. (See Note 15 – On-Behalf Payments of the accompanying Financial Statements for the year ended June 30, 2003.)

It is notable that on-behalf payments represent state obligations and not Board obligations. Therefore, they have not been included as part of the budgeting process for the General Fund. As a result, the variances between amounts budgeted for the general fund and the actual results (see Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 17 of the accompany financial statements), may be skewed by on-behalf payments. Table 4 shows final budget variances for line items which include on-behalf payments in the audited financial statements, after a reduction for such payments:

**CAMPBELL COUNTY BOARD OF EDUCATION  
ALEXANDRIA, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Table 4  
Campbell County Schools  
Summary of Budget Variances Net of On-behalf Payments  
(In Thousands of Dollars)**

	Actual, Net of On-Behalf Payments				Variance with Final Budget Favorable/ (Unfavorable)
	Final Budgeted Amounts	Actual As Reported	Less: On-Behalf Payments	Actual, Net	
Revenues					
Intergovernmental - State	\$ 10,505	\$ 14,392	\$ 3,691	\$ 10,701	\$ 196
All other Revenues	11,850	12,332	-	12,332	482
Total Revenues	<u>22,355</u>	<u>26,724</u>	<u>3,691</u>	<u>23,033</u>	<u>678</u>
Expenditures					
Instruction	13,357	15,125	2,660	12,465	892
Support Services					
Student	1,177	1,231	220	1,011	166
Instructional Staff	663	746	116	630	33
District Administration	1,636	893	40	853	783
School Administration	1,461	1,716	231	1,485	(24)
Business	289	300	29	271	18
Central Office	599	590	39	551	48
Plant Operation and Maintenance	3,993	3,304	125	3,179	814
Student Transportation	2,170	2,189	216	1,973	197
All Other Expenditures	53	49	15	34	19
Total Expenditures	<u>25,398</u>	<u>26,143</u>	<u>3,691</u>	<u>22,452</u>	<u>2,946</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(3,043)</u>	<u>581</u>	<u>-</u>	<u>581</u>	<u>3,624</u>
Total Other Financing Sources (Uses)	<u>(142)</u>	<u>(161)</u>	<u>-</u>	<u>(161)</u>	<u>19</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses, Adjusted	<u>\$ (3,185)</u>	<u>\$ 420</u>	<u>\$ -</u>	<u>\$ 420</u>	<u>\$ 3,643</u>

**CAMPBELL COUNTY BOARD OF EDUCATION  
ALEXANDRIA, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2003, the Board had a total of approximately \$35.1 million in capital assets, net of accumulated depreciation, including \$33.5 million for governmental activities and \$1.6 million for business type activities. Table 5 reflects the balances at June 30, 2003, compared to June 30, 2002:

**Table 5  
Capital Assets at June 30  
(Net of Depreciation, In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Land	\$ 1,211	\$ 1,190	\$ -	\$ -	\$ 1,211	\$ 1,190
Land Improvements	1,326	1,217	-	-	1,326	1,217
Buildings and Building Improvements	30,337	29,220	1,477	1,429	31,814	30,649
Technology Equipment	422	426	25	20	447	446
Vehicles	1,262	1,020	-	-	1,262	1,020
General Equipment	521	473	162	133	683	606
	<u>\$35,079</u>	<u>\$33,546</u>	<u>\$ 1,664</u>	<u>\$ 1,582</u>	<u>\$36,743</u>	<u>\$35,128</u>

**Debt**

At June 30, 2003, the Board had approximately \$25.5 million in outstanding bonds being paid from the debt service fund and approximately \$0.9 million in capital leases being paid from the General Fund.

During 2003, the Board issued revenue refunding with a final repayment date of February 1, 2019, in the amount of \$13,885,000 for the purpose of defeasing two bonds previously issued in 1993 and 1994. Compared to the issues that were defeased, the new bond issue has a lower average interest rate and a final repayment date that is approximately 5 years further into the future. As a result, the immediate effect of this refunding was to increase the Board's bonding potential by an estimated \$8 million, based on interest rates at the time of the transaction. (See Note 8 – Bonded Debt and Lease Obligations of the accompanying Financial Statements for June 30, 2003.)

**CAMPBELL COUNTY BOARD OF EDUCATION  
ALEXANDRIA, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED  
(Continued)**

**Current Issues**

**New Elementary School**

In fiscal year 2003 the Board approved a plan to build a new elementary school near Alexandria, Kentucky, with a capacity of 700 students plus 50 preschoolers, projected to be completed by June 2005. The Board expects the total cost of this project to be about \$12 million funded by issuing general obligation bonds with maturities up to twenty years. An estimated \$1.4 million of these bonds will be repaid by the Kentucky School Facility Construction Commission and \$10.6 million will be repaid by the Board with future tax revenues collected for Building Fund purposes. The Board plans to merge the student bodies of the Alexandria and Jolly Elementary Schools into the new school after it is completed.

**State Funding**

In fiscal year 2003 the school district's state funding was threatened by the revenue shortfall experienced by the Commonwealth of Kentucky, which did not have a legislatively-approved budget at the beginning of the fiscal year. The Kentucky Department of Education (KDE) warned school districts about this repeatedly and projected specific and significant amounts for funding cuts in both the 2002-03 and 2003-04 school years. As a result, management and the Board prepared a list of expense reductions and revenue enhancements that would permit the Board to maintain a positive fund balance going forward. For example, the Board considered cutting the budget for building maintenance, reducing the number of teachers allocated to the high and middle schools, and eliminating elementary enrichment teaching positions and the all-day kindergarten program. Ultimately, the 2003 Kentucky General Assembly passed a biennial budget that spared school districts most of the threatened funding reductions in fiscal year 2003 and projected to spare them most (but not all) of such reductions in 2004. As a result the Board was able to avoid most of the planned reduction in services to its students and staff. However, KDE representatives have again said that state revenues continue to be weak and that funding to school districts could still be significantly reduced in fiscal year 2004, as well as in future years.

**Superintendent Search**

Superintendent Roger Brady retired as of September 1, 2003. Associate Superintendent Diana Heidelberg has been appointed by the Campbell County Board of Education as the Interim Superintendent until June 30, 2004. With the assistance of the Kentucky School Board Association, the Board is conducting a national search to find a permanent superintendent to take office on July 1, 2004.

**Contacting the Board's Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the funds it receives. Questions or comments about this report should be directed to Ms. Diana Heidelberg, Superintendent, or Mark W. Vogt, Treasurer of the Board, by telephone at 859-635-2173 or by mail to the Central Office, 101 Orchard Lane, Alexandria, KY 41001.

**CAMPBELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
June 30, 2003

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 4,407,262	\$ 60,250	\$ 4,467,512
Accounts Receivable			
Taxes - Current	293,845	-	293,845
Taxes - Delinquent	9,126	-	9,126
Accounts	3,279	-	3,279
Intergovernmental - State	71,668	-	71,668
Intergovernmental - Indirect Federal	249,399	52,319	301,718
Interest	16,526	-	16,526
Prepaid Expenses	55,750	-	55,750
Inventory	-	44,004	44,004
Investments	1,429,900	-	1,429,900
<b>Total Current Assets</b>	<u>6,536,755</u>	<u>156,573</u>	<u>6,693,328</u>
<b>Noncurrent Assets</b>			
Land and Construction in Progress	1,190,036	-	1,190,036
Depreciable Capital Assets	51,202,970	2,826,617	54,029,587
Less Accumulated Depreciation	<u>(18,847,298)</u>	<u>(1,245,109)</u>	<u>(20,092,407)</u>
<b>Total Noncurrent Assets</b>	<u>33,545,708</u>	<u>1,581,508</u>	<u>35,127,216</u>
<b>Total Assets</b>	<u>\$ 40,082,463</u>	<u>\$ 1,738,081</u>	<u>\$ 41,820,544</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 504,502	\$ 6,482	\$ 510,984
Accrued Payroll and Related Expenses	643,457	-	643,457
Current Portion of Bond Obligations	1,805,946	27,054	1,833,000
Current Portion of Capital Leases	207,217	-	207,217
Current Portion of Accumulated Sick Leave	100,000	-	100,000
Interest Payable	300,191	-	300,191
Deferred Revenue	515,776	-	515,776
<b>Total Current Liabilities</b>	<u>4,077,089</u>	<u>33,536</u>	<u>4,110,625</u>
<b>Noncurrent Liabilities</b>			
Noncurrent Portion of Bond Obligations	23,634,000	-	23,634,000
Noncurrent Portion of Capital Leases	721,820	-	721,820
Noncurrent Portion of Accumulated Sick Leave	325,574	-	325,574
<b>Total Noncurrent Liabilities</b>	<u>24,681,394</u>	<u>-</u>	<u>24,681,394</u>
<b>Total Liabilities</b>	<u>\$ 28,758,483</u>	<u>\$ 33,536</u>	<u>\$ 28,792,019</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$ 7,176,725	\$ 1,554,454	\$ 8,731,179
Unrestricted	<u>4,147,255</u>	<u>150,091</u>	<u>4,297,346</u>
<b>Total Net Assets</b>	<u>\$ 11,323,980</u>	<u>\$ 1,704,545</u>	<u>\$ 13,028,525</u>

See accompanying notes.

**CAMPBELL COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2003**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Governmental Activities</b>							
Instruction	\$ 16,792,331	\$ 38,791	\$ 5,527,675	\$ -	\$ (11,225,865)	\$ -	\$ (11,225,865)
Supporting Services							
Student	1,427,838	-	220,222	-	(1,207,616)	-	(1,207,616)
Instructional Staff	1,375,343	-	115,766	-	(1,259,577)	-	(1,259,577)
District Administration	898,582	89,262	39,987	-	(769,333)	-	(769,333)
School Administration	1,728,157	-	231,358	-	(1,496,799)	-	(1,496,799)
Business	299,897	-	29,309	-	(270,588)	-	(270,588)
Central Office	592,642	-	38,668	-	(553,974)	-	(553,974)
Plant Operation and Maintenance	3,279,610	32,497	125,316	-	(3,121,797)	-	(3,121,797)
Student Transportation	2,257,367	484,771	215,659	-	(1,556,937)	-	(1,556,937)
Community Service Operations	243,177	5,245	14,572	-	(223,360)	-	(223,360)
Food Service Operations	1,695	-	-	-	(1,695)	-	(1,695)
Facilities Acquisition and Construction							
Site Improvement	76,847	-	422,980	-	346,133	-	346,133
Educational Specifications	-	-	-	-	-	-	-
Other							
Interest on Long-Term Debt	2,399,248	-	531,776	-	(1,867,472)	-	(1,867,472)
Depreciation	1,657,381	-	-	-	(1,657,381)	-	(1,657,381)
<b>Total Governmental Activities</b>	<b>33,030,115</b>	<b>650,566</b>	<b>7,513,288</b>	<b>-</b>	<b>(24,866,261)</b>	<b>-</b>	<b>(24,866,261)</b>
<b>Business-Type Activities</b>							
Food Services	1,740,558	1,024,730	601,478	82,022	-	(32,328)	(32,328)
<b>Total School District</b>	<b>\$ 34,770,673</b>	<b>\$ 1,675,296</b>	<b>\$ 8,114,766</b>	<b>\$ 82,022</b>	<b>\$ (24,866,261)</b>	<b>\$ (32,328)</b>	<b>\$ (24,898,589)</b>
<b>General revenues:</b>							
Property Taxes Levied for							
General Purposes					\$ 8,132,475	\$ -	\$ 8,132,475
Building					2,335,324	-	2,335,324
Other Taxes							
Motor Vehicle					1,248,172	-	1,248,172
Utilities					1,937,543	-	1,937,543
Other					48,165	-	48,165
Federal and State Aid Not Restricted to Specific Purposes					10,594,610	-	10,594,610
Earnings on Investments and Deposits					187,754	2,438	190,192
Gain on Disposal of Capital Asset					591,863	-	591,863
Miscellaneous					151,443	-	151,443
Total General Revenues					25,227,349	2,438	25,229,787
Change in Net Assets					361,088	(29,890)	331,198
<b>Net Assets July 1, 2002</b>					10,962,892	1,734,435	12,697,327
<b>Net Assets June 30, 2003</b>					\$ 11,323,980	\$ 1,704,545	\$ 13,028,525

See accompanying notes.

**CAMPBELL COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2003**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 3,211,392	\$ 235,852	\$ 700,000	\$ 260,018	\$ 4,407,262
Accounts Receivable					
Taxes - Current	293,845	-	-	-	293,845
Taxes - Delinquent	9,126	-	-	-	9,126
Accounts	3,279	-	-	-	3,279
Intergovernmental - State	-	71,668	-	-	71,668
Intergovernmental - Indirect Federal	-	249,399	-	-	249,399
Interest	16,526	-	-	-	16,526
Prepaid Expenditures	55,750	-	-	-	55,750
Investments	1,429,900	-	-	-	1,429,900
<b>Total Assets</b>	<u>\$ 5,019,818</u>	<u>\$ 556,919</u>	<u>\$ 700,000</u>	<u>\$ 260,018</u>	<u>\$ 6,536,755</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 360,502	\$ 41,143	\$ 102,857	\$ -	\$ 504,502
Accrued Payroll and Related Expenses	643,457	-	-	-	643,457
Current Portion of Accumulated Sick Leave	-	-	-	-	-
Deferred Revenue	-	515,776	-	-	515,776
<b>Total Liabilities</b>	<u>1,003,959</u>	<u>556,919</u>	<u>102,857</u>	<u>-</u>	<u>1,663,735</u>
<b>Fund Balances</b>					
Reserved for					
Site Based Carryover	109,864	-	-	-	109,864
Unpaid Sick Leave	425,574	-	-	-	425,574
Prior Year Encumbrances	34,792	-	-	-	34,792
Alumni Fund	2,655	-	-	-	2,655
Unreserved					
Undesignated, Reported in:					
General Fund	3,442,974	-	-	-	3,442,974
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	597,143	-	597,143
Debt Service Funds	-	-	-	260,018	260,018
<b>Total Fund Balances</b>	<u>4,015,859</u>	<u>-</u>	<u>597,143</u>	<u>260,018</u>	<u>4,873,020</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,019,818</u>	<u>\$ 556,919</u>	<u>\$ 700,000</u>	<u>\$ 260,018</u>	<u>\$ 6,536,755</u>

See accompanying notes.

**CAMPBELL COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET ASSETS  
June 30, 2003**

Amounts reported for governmental activities in the statement of net assets  
are different because:

<b>Total Fund Balance - Governmental Funds</b>	\$	4,873,020
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Capital assets used in governmental activities are not financial  
resources and therefore are not reported as assets in  
governmental funds.

The cost of capital assets is	52,393,006		
Accumulated Depreciation is	18,847,298		33,545,708

Long-term liabilities, including bonds payable, are not  
due and payable in the current period and therefore  
are not reported as liabilities in the funds. Long-term  
liabilities at year end consist of:

	Bonds Payable	25,439,946	
	Capital Leases Payable	929,037	
	Accrued Interest on the Bonds	300,191	
	Accumulated Sick Leave	425,574	
			(27,094,748)

<b>Total Net Assets - Governmental Activities</b>	\$	11,323,980
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See accompanying notes.

**CAMPBELL COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2003**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
From Local Sources					
Taxes					
Property	\$ 8,132,475	\$ -	\$ -	\$ 2,335,324	\$ 10,467,799
Motor Vehicle	1,248,172	-	-	-	1,248,172
Utilities	1,937,543	-	-	-	1,937,543
Other	48,165	-	-	-	48,165
Tuition and Fees	23,550	-	-	-	23,550
Transportation Fees	484,771	-	-	-	484,771
Earnings on Investments and Deposits	180,008	4,633	-	3,113	187,754
Student Activities	-	-	-	-	-
Community Service Activities	5,245	-	-	-	5,245
Other Local Revenue	268,003	8,394	-	-	276,397
Intergovernmental - State	14,280,995	1,775,944	-	954,756	17,011,695
Intergovernmental - Indirect Federal	4,826	1,082,983	-	-	1,087,809
	<u>26,613,753</u>	<u>2,871,954</u>	<u>-</u>	<u>3,293,193</u>	<u>32,778,900</u>
<b>Total Revenues</b>					
<b>Expenditures</b>					
Current					
Instruction	15,124,777	1,822,521	-	-	16,947,298
Support Services					
Student	1,230,831	194,570	-	-	1,425,401
Instructional Staff	745,922	626,862	-	-	1,372,784
District Administration	892,741	-	-	-	892,741
School Administration	1,715,718	3,091	-	-	1,718,809
Business	299,512	-	-	-	299,512
Central Office	590,438	1,224	-	-	591,662
Plant Operation & Maintenance	3,304,310	-	-	-	3,304,310
Student Transportation	2,189,135	65,981	-	-	2,255,116
Community Service Operations	45,172	198,005	-	-	243,177
Food Service Operations	292	-	-	-	292
Facilities Acquisition and Construction					
Site Improvement	3,990	-	102,857	-	106,847
Educational Specifications	-	-	-	-	-
Student Activities	-	-	-	-	-
Debt Service	-	-	-	3,318,974	3,318,974
	<u>26,142,838</u>	<u>2,912,254</u>	<u>102,857</u>	<u>3,318,974</u>	<u>32,476,923</u>
<b>Total Expenditures</b>					
<b>Excess (Deficit) of Revenues Over Expenditures</b>	470,915	(40,300)	(102,857)	(25,781)	301,977
<b>Other Financing Sources (Uses)</b>					
Miscellaneous	20,440	-	-	-	20,440
Proceeds from Sale of Fixed Assets	699,070	-	-	-	699,070
Bond Fees Paid to Fiscal Agent	-	-	-	(64,004)	(64,004)
Bond Proceeds	-	-	-	13,855,000	13,855,000
Payment to Bond Refunding Escrow Agent	-	-	-	(13,790,996)	(13,790,996)
Operating Transfers In	102,828	40,300	700,000	-	843,128
Operating Transfers Out	(740,300)	-	-	(102,828)	(843,128)
Transfers In/(Out) for Debt Service	(243,570)	-	-	243,570	-
	<u>(161,532)</u>	<u>40,300</u>	<u>700,000</u>	<u>140,742</u>	<u>719,510</u>
<b>Total Other Financing Sources (Uses)</b>					
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	309,383	-	597,143	114,961	1,021,487
<b>Fund Balance July 1, 2002</b>	3,706,476	-	-	145,057	3,851,533
<b>Fund Balance June 30, 2003</b>	<u>\$ 4,015,859</u>	<u>\$ -</u>	<u>\$ 597,143</u>	<u>\$ 260,018</u>	<u>\$ 4,873,020</u>

See accompanying notes.

**CAMPBELL COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO  
THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2003**

Amounts reported for governmental activities in the statement of net assets are different because:

**Total net change in fund balances - governmental funds** \$ 1,021,487

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation Expense	1,657,381	
Capital Outlays	<u>(231,282)</u>	(1,426,099)

The proceeds from the disposal of capital assets provide current financial resources and are reported in the fund financial statements. However, for governmental activities the proceeds are shown net the cost less any accumulated depreciation. The amount of cost less accumulated depreciation on the current year's disposals is netted against the proceeds.

(107,207)

The proceeds from the issuance of bonds provide current financial resources and are reported in the fund financial statement but they are presented as liabilities in the statement of net assets.

(13,790,996)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is a result of the change in accrued interest on bonds.

169,125

In the statement of activities, compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The additional expense reported in the statement of activities is a result of the change in accumulated sick leave.

(46,819)

Repayment of bond and capital lease principal is an expenditure in the governmental funds but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. This includes the Board's portion only.

14,541,597

**Total Change in Net Assets - Governmental Activities**

**\$ 361,088**

See accompanying notes.

**CAMPBELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2003**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
From Local Sources				
Taxes				
Property	\$ 8,060,000	\$ 8,005,435	\$ 8,132,475	\$ 127,040
Motor Vehicle	1,340,000	1,250,000	1,248,172	(1,828)
Utilities	1,714,000	1,700,000	1,937,543	237,543
Other	50,000	29,300	48,165	18,865
Tuition and Fees	8,400	11,400	23,550	12,150
Transportation Fees	439,000	464,342	484,771	20,429
Earnings on Investments	200,000	150,000	180,008	30,008
Student Activities	-	-	-	-
Community Service Activities	10,600	9,800	5,245	(4,555)
Other Local Revenue	189,250	222,156	268,003	45,847
Intergovernmental - Intermediate	2,000	-	-	-
Intergovernmental - State	10,721,961	10,504,505	14,280,995	3,776,490
Intergovernmental - Indirect Federal	4,500	8,400	4,826	(3,574)
<b>Total Revenues</b>	<b>22,739,711</b>	<b>22,355,338</b>	<b>26,613,753</b>	<b>4,258,415</b>
<b>Expenditures</b>				
Current				
Instruction	13,662,920	13,356,971	15,124,777	(1,767,806)
Support Services				
Student	930,873	1,177,127	1,230,831	(53,704)
Instructional Staff	638,679	662,765	745,922	(83,157)
District Administration	1,599,001	1,636,581	892,741	743,840
School Administration	1,371,112	1,461,179	1,715,718	(254,539)
Business	295,142	288,696	299,512	(10,816)
Central Office	585,189	598,910	590,438	8,472
Plant Operation & Maintenance	3,506,408	3,993,086	3,304,310	688,776
Student Transportation	1,947,618	2,169,538	2,189,135	(19,597)
Community Service Operations	49,647	53,395	45,172	8,223
Food Service Operations	-	-	292	(292)
Facilities Acquisition and Construction				
Site Improvement	-	-	3,990	(3,990)
Educational Specifications	-	-	-	-
Student Activities	-	-	-	-
Debt Service	-	-	-	-
<b>Total Expenditures</b>	<b>24,586,589</b>	<b>25,398,248</b>	<b>26,142,838</b>	<b>(744,590)</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(1,846,878)</b>	<b>(3,042,910)</b>	<b>470,915</b>	<b>3,513,825</b>
<b>Other Financing Sources (Uses)</b>				
Miscellaneous	-	-	20,440	20,440
Proceeds from Sale of Fixed Assets	7,700	707,700	699,070	(8,630)
Bond Fees Paid to Fiscal Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Operating Transfers In	-	102,828	102,828	-
Operating Transfers Out	(75,000)	(775,000)	(740,300)	34,700
Transfers In/(Out) for Debt Service	(177,822)	(177,822)	(243,570)	(65,748)
<b>Total Other Financing Sources (Uses)</b>	<b>(245,122)</b>	<b>(142,294)</b>	<b>(161,532)</b>	<b>(19,238)</b>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(2,092,000)</b>	<b>(3,185,204)</b>	<b>309,383</b>	<b>3,494,587</b>
<b>Fund Balance July 1, 2002</b>	<b>2,092,000</b>	<b>3,185,204</b>	<b>3,706,476</b>	<b>521,272</b>
<b>Fund Balance June 30, 2003</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,015,859</b>	<b>\$ 4,015,859</b>

See accompanying notes.

**CAMPBELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**June 30, 2003**

	<u><b>Food Service Fund</b></u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 60,250
Accounts Receivable	
Taxes - Current	-
Taxes - Delinquent	-
Accounts	-
Intergovernmental - State	-
Intergovernmental - Indirect Federal	52,319
Interest	-
Inventory	<u>44,004</u>
<b>Total Current Assets</b>	<u>156,573</u>
<b>Noncurrent Assets</b>	
Capital Assets	2,826,617
Less Accumulated Depreciation	<u>(1,245,109)</u>
<b>Total Noncurrent Assets</b>	<u>1,581,508</u>
<b>Total Assets</b>	<u><u>\$ 1,738,081</u></u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 6,482
Current Portion of Bond Obligations	27,054
Accrued Payroll and Related Expenses	-
Current Portion of Accumulated Sick Leave	-
Deferred Revenue	<u>-</u>
<b>Total Liabilities</b>	<u><u>\$ 33,536</u></u>
<b>Net Assets</b>	
Invested in Capital Assets	\$ 1,581,508
Unrestricted	<u>123,037</u>
<b>Total Net Assets</b>	<u><u>\$ 1,704,545</u></u>

See accompanying notes.

**CAMPBELL COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
**Year Ended June 30, 2003**

	<b>Food Service Fund</b>
<b>Operating Revenues</b>	
Lunchroom Sales	\$ <u>1,024,730</u>
<b>Operating Expenses</b>	
Salaries and Wages	586,050
Employee Benefits	194,549
Contract Services	20,603
Materials and Supplies	722,320
Depreciation	88,696
Other Operating Expenses	<u>126,460</u>
Total Operating Expenses	<u>1,738,678</u>
Operating Loss	<u>(713,948)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Federal Grants	468,693
Donated Commodities	82,022
State Grants	132,785
Interest Income	2,438
Interest Expense	<u>(1,880)</u>
Total Non-Operating Revenues	<u>684,058</u>
<b>Net Loss</b>	(29,890)
<b>Net Assets July 1, 2002, as Originally Stated</b>	70,830
<b>Prior Period Adjustment</b>	<u>1,663,605</u>
<b>Net Assets July 1, 2002, as Restated</b>	<u>1,734,435</u>
<b>Net Assets June 30, 2003</b>	<u><u>\$ 1,704,545</u></u>

See accompanying notes.

**CAMPBELL COUNTY BOARD OF EDUCATION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2003**

	<b>Food Service Fund</b>
<b>Cash Flows From Operating Activities</b>	
Cash Received from	
Lunchroom Sales	\$ 1,024,730
Other Activities	
Cash Paid to/for	
Employees	(669,855)
Supplies	(649,753)
Other Activities	<u>(147,063)</u>
Net Cash Used by Operating Activities	<u>(441,941)</u>
<b>Cash Flows from Non Capital Financing Activities</b>	
Federal Grants	449,676
State Grants	<u>22,041</u>
Net Cash Provided by Non Capital Financing Activities	<u>471,717</u>
<b>Cash Flows from Capital Financing Activities</b>	
Payments on Bond Obligations	(27,054)
Interest Paid on Bond Obligations	<u>(1,880)</u>
Net Cash Used by Capital Financing Activities	<u>(28,934)</u>
<b>Cash Flows from Investing Activities</b>	
Interest Income	<u>2,438</u>
Net Change in Cash	3,280
<b>Cash and Cash Equivalents July 1, 2002</b>	<u>56,970</u>
<b>Cash and Cash Equivalents June 30, 2003</b>	<u><u>\$ 60,250</u></u>
Reconciliation of Operating Loss to Net Cash	
Used by Operating Activities	
Operating Loss	\$ (713,948)
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities	
Depreciation	88,696
On-Behalf Payments for Salaries and Benefits Paid Directly by the State	110,744
Commodities Used	82,022
Capital Asset Purchase	(6,599)
Change in Assets and Liabilities	
Receivables	-
Inventory	(7,491)
Accounts Payable	<u>4,635</u>
<b>Net Cash Provided Used by Operating Activities</b>	<u><u>\$ (441,941)</u></u>
<b>Non-Cash Non-Capital Financing Activities</b>	
Donated Commodities Received from Federal Government	<u><u>\$ 82,022</u></u>
<b>Other Non-Cash Transactions</b>	
On-Behalf Payments for Salaries and Benefits Paid Directly by the State	<u><u>\$ 110,744</u></u>

See accompanying notes.

**CAMPBELL COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2003**

	<b>Agency Fund</b>
<b>Assets and Resources</b>	
Cash and Cash Equivalents	\$ 437,726
Accounts Receivable	
Accounts	<u>-</u>
<b>Total Assets and Resources</b>	<b>\$ <u>437,726</u></b>
<b>Liabilities</b>	
Due to Student and Support Groups	\$ 430,942
Accounts Payable	<u>6,784</u>
<b>Total Liabilities</b>	<b><u>437,726</u></b>
<b>Net Assets</b>	<b>\$ <u><u>-</u></u></b>

See accompanying notes.

## **CAMPBELL COUNTY BOARD OF EDUCATION NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1 – REPORTING ENTITY**

The Campbell County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Campbell County School District. The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Campbell County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Parent-Teacher Associations and some booster clubs.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

#### **Campbell County School District Finance Corporation**

The Board authorized establishment of the Campbell County School District Finance Corporation. It is a non-stock, non-profit public and charitable corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes to act as an agency of the Board for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Campbell County School District.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

#### **Basis of Presentation**

District-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of Board and for each function or program of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

**Fund Financial Statements** - Fund financial statements report detailed information about the Board. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

The Board has the following funds:

**I. Governmental Fund Types**

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the Board.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 50 and 51. This is a major fund of the Board.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the Board's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the Board's facility plan.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or remodelings. This is a major fund of the Board.
- (D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable as required by Kentucky Law.

**II. Proprietary Fund Types (Enterprise Fund)**

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The Board applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)**

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Board available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**Property Taxes**

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2003, to finance the General Fund operations were \$.505 per \$100 valuation for real property, \$.519 per \$100 valuation for business personal property and \$.522 per \$100 valuation for motor vehicles.

The Board levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of one thousand dollars with the exception of computers and real property for which there is no threshold. The Board does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except for land, are depreciated. Improvements are depreciated over the estimated remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Building Improvements	25-50 Years
Land Improvements	20 Years
Technology Equipment	5 Years
Vehicles	5-10 Years
General Equipment	7-10 Years

**Accumulated Unpaid Sick Leave Benefits**

Upon retirement from the school system, an employee will receive from the Board an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Board's past experience of making termination payments.

The entire compensated absence liability is reported on the district-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported, however, the total balance is reserved in the current year fund balance of the General Fund.

**Budgetary Process**

Budgetary Basis of Accounting - The Board's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget amendments require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end, except for the unused amounts allocated to site-based schools for supplies, travel and equipment.

**Inventories**

On district-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Fund Balance Reserves**

The Board reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for site-based school carryover of unused budgeted amounts for supplies, equipment and travel.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, those revenues are primarily charges for meals provided by the various schools. Non operating revenue is revenue that is not classified as operating revenue.

**Use of Estimates**

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Board considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less and certificate of deposits, to be cash equivalents.

**Investments**

In accordance with GASB 31, investments are reported at fair value.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Encumbrances**

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

For the fiscal year ended June 30, 2003, the Board implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. For the fiscal year ended June 30, 2003 the Board has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

GASB 34 creates new basic financial statements for reporting on the Board's financial activities. The financial statements now include district-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The district-wide financial statements split the Board's programs between business-type and governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

The Board made several changes in accounting principles during the year. For governmental activities, they began recording the current portion of the accumulated sick leave liability. These changes bring the Board's funds into compliance with the fund classifications and requirements of GASB 34.

Restatement of Fund Balance – The restatement for the above changes and the transition from governmental fund balance to net assets of the governmental activities is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balance June 30, 2002	\$ 3,706,476	\$ -	\$ -	\$ 145,057	\$ 3,851,533
GASB 34 Adjustments:					
Capital Assets – Net of Depreciation					35,079,014
Bonds and Capital Lease Payable					(27,119,585)
Accumulated Sick Leave – Long-Term Portion					(378,755)
Accrued Interest Payable					<u>(469,315)</u>
Governmental Activities Net Assets, June 30, 2002					<u>\$ 10,962,892</u>

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**  
**(Continued)**

As part of the implementation of GASB 34, the Board allocated a portion of its buildings and building improvements and related depreciated to the food service operations. This increased the fixed assets, net of depreciation, for the proprietary fund at June 30, 2002, by \$1,476,417. Additionally, a fixed asset inventory revealed the existence of other proprietary fixed assets that have not previously been recorded on the books. This increased the fixed assets, net of depreciation, for the proprietary fund at June 30, 2002 by \$187,188.

Changes as a result of the GASB 34 implementation are as follows:

	<u>Food Service</u>
Fund Balance, June 30, 2002	\$ 70,830
Additional Fixed Assets	<u>1,663,605</u>
Adjusted Fund Balance, June 30, 2002	<u>\$ 1,734,435</u>

**NOTE 4 – CASH AND CASH EQUIVALENTS**

The carrying amount of the Board's deposits with financial institutions was \$4,905,238 and the bank balance was \$5,148,365. Of that amount, \$397,954 was insured by the FDIC. The remainder is collateralized with securities held by the financial institution and pledged to collateralize the Board's deposits. Cash and cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less and certificates of deposit.

Cash and cash equivalents at June 30, 2003 consisted of the following:

	<u>Bank Balances</u>	<u>Book Balances</u>
Various Banks - Checking Accounts	\$ 4,807,926	\$ 4,564,799
Various Banks - Certificates of Deposits	<u>340,439</u>	<u>340,439</u>
	<u>\$ 5,148,365</u>	<u>\$ 4,905,238</u>

Breakdown per financial statements:

Governmental Funds	\$ 4,407,262
Proprietary Funds	60,250
Agency Funds	<u>437,726</u>
	<u>\$ 4,905,238</u>

**NOTE 5 – INVESTMENTS**

Investments made by the Board are summarized below. The investments that are represented by specific identifiable investment securities are classified as a credit risk by the three categories discussed below:

- Category 1 - Insured or registered, or securities held by the Board or its agent in the Board's name.
- Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Board's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Board's name.

	Category			Carrying Amount	Market Value
	1	2	3		
Obligations of the U.S. Government, Agencies and Instrumentalities	<u>\$1,429,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,429,900</u>	<u>\$1,429,900</u>

Funds that are temporarily in excess of operating needs shall be invested by the treasurer at the direction of the Superintendent or designee. Such funds shall be invested in one or more of the following:

- Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- Obligations of any corporation of the United States government.
- Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(4).
- Uncollateralized certifications of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
- Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
- Commercial paper rated in the highest category by a nationally recognized rating agency.
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- Securities issued by a state or local government or any instrumentality or agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
- Shares of mutual funds, as permitted by law.

The Board shall not purchase any investment on a margin basis or through the use of any similar leveraging technique. In addition, the amount of money the District invests at any time in one (1) or more of the categories options 5, 6, 7, and 9 listed above shall not exceed twenty percent (20%) of the total amount of money invested.

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2003 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2003</u>
Capital Assets Not Being Depreciated				
Land	\$ <u>1,210,936</u>	\$ <u>-</u>	\$ <u>20,900</u>	\$ <u>1,190,036</u>
Depreciable Capital Assets				
Land Improvements	2,274,267	-	-	2,274,267
Buildings and Building Improvements	41,548,431	30,000	110,650	41,467,781
Technology Equipment	2,739,445	176,183	170,400	2,745,228
Vehicles	3,611,853	-	-	3,611,853
General Equipment	<u>1,078,742</u>	<u>25,099</u>	<u>-</u>	<u>1,103,841</u>
Total Depreciable Capital Assets	<u>51,252,738</u>	<u>231,282</u>	<u>281,050</u>	<u>51,202,970</u>
Total Capital Assets at Historical Cost	<u>52,463,674</u>	<u>231,282</u>	<u>301,950</u>	<u>52,393,006</u>
Less Accumulated Depreciation				
Land Improvements	948,333	108,525	-	1,056,858
Buildings and Building Improvements	11,211,372	1,061,153	24,343	12,248,182
Technology Equipment	2,317,298	171,859	170,400	2,318,757
Vehicles	2,350,311	241,900	-	2,592,211
General Equipment	<u>557,346</u>	<u>73,944</u>	<u>-</u>	<u>631,290</u>
Total Accumulated Depreciation	<u>17,384,660</u>	<u>1,657,381</u>	<u>194,743</u>	<u>18,847,298</u>
Depreciable Capital Assets, Net	<u>33,868,078</u>	<u>(1,426,099)</u>	<u>86,307</u>	<u>32,355,672</u>
Governmental Activities Capital Assets - Net	\$ <u>35,079,014</u>	\$ <u>(1,426,099)</u>	\$ <u>107,207</u>	\$ <u>33,545,708</u>
<u>Business-Type Activities</u>				
Depreciable Capital Assets				
Buildings and Building Improvements	\$ 2,037,742	\$ -	\$ -	\$ 2,037,742
Technology Equipment	48,128	4,700	-	52,828
General Equipment	<u>734,148</u>	<u>1,899</u>	<u>-</u>	<u>736,047</u>
Totals at Historical Cost	<u>2,820,018</u>	<u>6,599</u>	<u>-</u>	<u>2,826,617</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	561,325	47,911	-	609,236
Technology Equipment	23,147	9,463	-	32,610
General Equipment	<u>571,941</u>	<u>31,322</u>	<u>-</u>	<u>603,263</u>
Total Accumulated Depreciation	<u>1,156,413</u>	<u>88,696</u>	<u>-</u>	<u>1,245,109</u>
Business - Type Activities Capital Assets - Net	\$ <u>1,663,605</u>	\$ <u>(82,097)</u>	\$ <u>-</u>	\$ <u>1,581,508</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund balances at June 30, 2003.

**NOTE 8 – BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as lease obligations represent the Board's future obligations to make lease payments relating to the bonds issued by the Campbell County School District Finance Corporation aggregating \$25,467,000.

The amount shown in the accompanying financial statements as capital lease obligations represent the principal portion of the Board's future obligations to make lease payments relating to capital leases entered into with the Kentucky Interlocal School Transportation Association (KISTA) and a vendor aggregating \$929,037.

The following is a summary of the Board's long-term debt transactions for the year ended June 30, 2003:

	Debt Outstanding <u>July 1, 2002</u>	Additions of <u>New Debt</u>	Repayments & <u>Defeasance</u>	Debt Outstanding <u>June 30, 2003</u>	Amount Expected to be Paid Within <u>One Year</u>
General Obligation Bonds	\$ <u>26,045,000</u>	\$ <u>13,855,000</u>	\$ <u>14,433,000</u>	\$ <u>25,467,000</u>	\$ <u>1,805,946</u>
Capital Leases	\$ <u>1,128,693</u>	\$ <u>-</u>	\$ <u>199,656</u>	\$ <u>929,037</u>	\$ <u>207,217</u>

The repayments and defeasance of general obligation bonds includes \$14,015,291 repaid and defeased by the Board, and \$417,709 repaid by the Kentucky School Facility Construction Commission. The payments on bonds are made by the debt service fund.

**Bonds**

The Board, through the General Fund (including utility taxes), Building (FSPK) Fund and the SEEK Capital Outlay Fund, is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court to construct school facilities. The Board has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain funding issues have been placed in escrow accounts to be used to service the related debt.

The Board has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table following sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the Board, and as such, the total principal outstanding has been recorded in the financial statements.

**NOTE 8 – BONDED DEBT AND LEASE OBLIGATIONS (Continued)**

The original amount of outstanding issues, the issue dates, interest rates and outstanding balances at June 30, 2003 are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Outstanding Balance June 30, 2003</u>
August, 1995	\$ 2,600,000	5.000-5.400	\$ 2,025,000
August, 1996	7,700,000	4.875-5.600	6,085,000
February, 1997	2,885,000	3.500-5.000	1,945,000
October, 1998	1,150,000	3.600-4.300	985,000
September, 1999	370,000	4.200-5.650	317,000
August, 2001	105,000	3.100-3.600	35,000
November, 2001	250,000	2.600-3.900	220,000
March, 2003	<u>13,855,000</u>	1.130-4.400	<u>13,855,000</u>
	<u>\$28,915,000</u>		<u>\$25,467,000</u>

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of funds at June 30, 2003 for debt service (principal and interest) are as follows:

<u>Fiscal Year Ending June 30.</u>	<u>Board's Portion</u>		<u>KSFCC Portion</u>		<u>Principal Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2003-04	\$ 1,709,498	\$ 865,981	\$ 123,502	\$ 130,450	\$ 1,833,000
2004-05	1,299,020	903,425	124,980	126,258	1,424,000
2005-06	1,341,484	857,726	132,516	121,751	1,474,000
2006-07	1,378,819	809,767	136,181	117,007	1,515,000
2007-08	1,440,897	756,893	145,103	111,927	1,586,000
2008-09	1,492,674	698,200	149,326	106,492	1,642,000
2009-10	1,519,133	634,618	158,867	100,657	1,678,000
2010-11	1,585,297	575,328	163,703	94,452	1,749,000
2011-12	1,621,142	507,271	168,858	87,937	1,790,000
2012-13	1,721,625	432,165	179,375	81,036	1,901,000
2013-14	1,786,870	353,054	190,130	73,622	1,977,000
2014-15	1,458,484	270,651	159,516	29,202	1,618,000
2015-16	1,549,415	200,283	164,585	21,147	1,714,000
2016-17	1,421,814	130,154	144,186	13,601	1,566,000
2017-18	880,000	78,090	107,000	7,623	987,000
2018-19	<u>920,000</u>	<u>40,250</u>	<u>93,000</u>	<u>2,980</u>	<u>1,013,000</u>
	<u>\$23,126,172</u>	<u>\$ 8,113,853</u>	<u>\$2,340,828</u>	<u>\$1,226,142</u>	<u>\$25,467,000</u>

On March 1, 2003, the Board issued revenue refunding bonds of \$13,855,000, with interest rates varying from 1.13% to 4.40% to advance refund the 1993 and 1994 school building revenue bonds with interest rates ranging from 4.85% to 5.10%, and from 4.70% to 4.875%, respectively. The new issue will redeem the outstanding 1993 bonds maturing after February 1, 2004 in the principal amount of \$7,730,000 on February 1, 2004 at the redemption price of 102%. The new issue will also redeem the outstanding 1994 bonds maturing after February 1, 2004 in the principal amount of \$5,180,000 on February 1, 2004 at the redemption price of 102%.

**NOTE 8 – BONDED DEBT AND LEASE OBLIGATIONS (Continued)****Capital Leases**

The Board leases buses under capital leases with KISTA. The leases expire on various dates from March, 2005 through March, 2012, and have monthly payments totaling \$173,808.

The Board leases various building improvements under a capital lease with a vendor. The lease expires in August, 2007, and has a monthly payment of \$77,134.

The following is an analysis of the leased property under capital leases by class:

<u>Classes of Property</u>	<u>June 30, 2003</u>
Buses	
Cost	\$ 1,278,864
Accumulated Depreciation	<u>(635,720)</u>
Net Book Value	<u>\$ 643,144</u>
Building Improvements	
Cost	\$ 592,235
Accumulated Depreciation	<u>(148,059)</u>
Net Book Value	<u>\$ 444,176</u>

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2003:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2004	\$ 250,943
2005	239,810
2006	202,443
2007	168,239
2008	67,707
Thereafter	<u>135,447</u>
Total Minimum Lease Payments	1,064,589
Less Amount Representing Interest	<u>(135,552)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 929,037</u>

**NOTE 9 – COMPENSATED ABSENCES**

Changes in the Board's compensated absences during fiscal year 2003 were as follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>	<u>Amounts Expected to be Paid Within One Year</u>
Governmental Activities					
Accumulated Sick Leave	<u>\$ 378,755</u>	<u>\$ 130,847</u>	<u>\$ 84,028</u>	<u>\$ 425,574</u>	<u>\$ 100,000</u>

The accumulated sick leave liability will be liquidated by several governmental funds.

**NOTE 10 – RETIREMENT PLANS**

The Board's total payroll for the year was \$19,820,593. The payroll for employees covered under the following plans totaled \$19,339,962.

**Kentucky Teachers' Retirement System**

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), which is a cost sharing, multiple-employer retirement system created by and operating under Kentucky law.

The Kentucky Teachers' Retirement System covers all regular certified full-time employees of each school board. Starting with fiscal year 2003, all substitute teachers are also covered. The plan provides for retirement, disability and death benefits. KTRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

Participating employees contribute 9.855% of creditable compensation. Matching contributions are made by the state and reflected in the Board's financial statements as on-behalf payments. For the year ended June 30, 2003, the state's matching contribution was 13.105% of creditable compensation. For federal programs, the KTRS Board of Trustees determines an amount of the matching contribution that has to be paid by local school boards. For the year ended June 30, 2003, the Board contributed 12.305% of the creditable compensation paid out of federal grants.

The Board's required contributions for pension obligations to KTRS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$3,296,695 (composed of \$61,513 from the Board, \$1,417,820 from the employees, and \$1,817,362 from on-behalf payments), \$1,383,297 and \$1,302,928, respectively; 100% has been contributed for fiscal years 2003, 2002 and 2001.

**County Employees Retirement System**

Employees who work an average of 80 hours per month participate in the County Employees Retirement System of Kentucky (CERS) which is a cost sharing, multiple-employer public employees retirement system created by and operating under Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601.

Participating employees contribute 5% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. The Board contributed 6.34% of the employees' compensation during the fiscal year ended June 30, 2003.

The Board's required contributions (both withholding and match) for pension obligations to CERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$561,695 (composed of \$314,036 from the Board and \$247,659 from the employees), \$538,923 and \$519,891, respectively; 100% has been contributed for fiscal years 2003, 2002 and 2001.

**NOTE 11 – CONTINGENCIES**

The Board receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Board for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Board's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE 12 – INSURANCE AND RELATED ACTIVITIES**

The Board is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The Board has purchased certain policies that are retrospectively rated which include Workers' Compensation insurance.

**NOTE 13 – RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. To obtain insurance for Workers' Compensation, errors and omission and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by each fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety-day notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The Board purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund. However, risk has not been transferred to such fund. In addition, the Board continues to carry commercial insurance for all other risks of loss, including the coverage listed in the supplemental schedule as listed in the table of contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 14 – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special	Matching	\$ 40,300
General	Construction	Construction Services	\$ 700,000
Building	General	Repayment of Expenses	\$ 102,828
Various	Debt Service Fund	Debt Service Payments	\$2,787,198

**NOTE 15 – ON-BEHALF PAYMENTS**

As amounts are paid by various state agencies on-behalf of the Board, the amounts are recognized as revenues and expenditures by the Board. On the Statement of Revenues, Expenditures and Changes in Fund Balance, the on-behalf payments are included with state revenue and are included in the functional expense classifications. On the Statement of Activities, the on-behalf payments are included in the functional expense classifications and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2003 is as follows:

Payments Made by the State for

Fringe Benefits of Board Employees – Included  
in the Following Functional Expense Classifications  
in the General Fund:

Instruction	\$ 2,485,552
Supporting Services	
Student	220,222
Instructional Staff	115,766
District Administration	39,987
School Administration	231,358
Business	29,309
Central Office	38,668
Plant Operation and Maintenance	125,316
Student Transportation	215,659
Community Service Operations	<u>14,572</u>
Total	<u>\$ 3,516,409</u>

Payments Made by the State for Board

Students at Vocational Schools Operated by  
the State – Included in Instruction Expenditures

\$ 174,802

Payments Made by the KSFCC for its

Participation in the Board's Bonds – Included  
in Debt Service Expenditures

\$ 531,776

Payments Made by the State for Fringe Benefits  
of Board Employees – Included in the Food  
Service Fund

\$ 110,744

## **SUPPLEMENTAL INFORMATION**

**CAMPBELL COUNTY BOARD OF EDUCATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2003**

	<b>SEEK Capital Outlay Fund</b>	<b>Building (FSPK) Fund</b>	<b>Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 112,785	\$ 147,208	\$ 25	\$ 260,018
Accounts Receivable				
Taxes - Current	-	-	-	-
Taxes - Delinquent	-	-	-	-
Accounts	-	-	-	-
Intergovernmental - State	-	-	-	-
Intergovernmental - Indirect Federal	-	-	-	-
Interest	-	-	-	-
Investments	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<b><u>\$ 112,785</u></b>	<b><u>\$ 147,208</u></b>	<b><u>\$ 25</u></b>	<b><u>\$ 260,018</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Payroll and Related Expenses	-	-	-	-
Current Portion of Accumulated Sick Leave	-	-	-	-
Deferred Revenue	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balances</b>				
Reserved for				
Site Based Carryover	-	-	-	-
Unreserved				
Undesignated, Reported in				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Debt Service Funds	112,785	147,208	25	260,018
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>112,785</u>	<u>147,208</u>	<u>25</u>	<u>260,018</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 112,785</u></b>	<b><u>\$ 147,208</u></b>	<b><u>\$ 25</u></b>	<b><u>\$ 260,018</u></b>

**CAMPBELL COUNTY BOARD OF EDUCATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2003**

	<b>SEEK Capital Outlay Fund</b>	<b>Building (FSPK) Fund</b>	<b>Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
From Local Sources				
Taxes				
Property	\$ -	\$ 2,335,324	\$ -	\$ 2,335,324
Motor Vehicle	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Tuition and Fees	-	-	-	-
Transportation Fees	-	-	-	-
Earnings on Investments	-	3,113	-	3,113
Student Activities	-	-	-	-
Community Service Activities	-	-	-	-
Other Local Revenue	-	-	-	-
Intergovernmental - State	422,980	-	531,776	954,756
Intergovernmental - Indirect Federal	-	-	-	-
	<u>422,980</u>	<u>2,338,437</u>	<u>531,776</u>	<u>3,293,193</u>
<b>Total Revenues</b>	<u>422,980</u>	<u>2,338,437</u>	<u>531,776</u>	<u>3,293,193</u>
<b>Expenditures</b>				
Current				
Instruction	-	-	-	-
Support Services				
Student	-	-	-	-
Instructional Staff	-	-	-	-
District Administration	-	-	-	-
School Administration	-	-	-	-
Business	-	-	-	-
Central Office	-	-	-	-
Plant Operation and Maintenance	-	-	-	-
Student Transportation	-	-	-	-
Community Service Operations	-	-	-	-
Food Service Operations	-	-	-	-
Facilities Acquisition and Construction				
Site Improvement	-	-	-	-
Educational Specifications	-	-	-	-
Student Activities	-	-	-	-
Debt Service	-	-	3,318,974	3,318,974
	<u>-</u>	<u>-</u>	<u>3,318,974</u>	<u>3,318,974</u>
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>3,318,974</u>	<u>3,318,974</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>422,980</u>	<u>2,338,437</u>	<u>(2,787,198)</u>	<u>(25,781)</u>
<b>Other Financing Sources (Uses)</b>				
Miscellaneous	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Bond Fees Paid to Fiscal Agent	-	-	(64,004)	(64,004)
Bond Proceeds	-	-	13,855,000	13,855,000
Payment to Bond Refunding Escrow Agent	-	-	(13,790,996)	(13,790,996)
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	(102,828)	-	(102,828)
Transfers In/(Out) for Debt Service	(310,195)	(2,233,433)	2,787,198	243,570
	<u>(310,195)</u>	<u>(2,336,261)</u>	<u>2,787,198</u>	<u>140,742</u>
<b>Total Other Financing Uses</b>	<u>(310,195)</u>	<u>(2,336,261)</u>	<u>2,787,198</u>	<u>140,742</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	112,785	2,176	-	114,961
<b>Fund Balance July 1, 2002</b>	<u>-</u>	<u>145,032</u>	<u>25</u>	<u>145,057</u>
<b>Fund Balance June 30, 2003</b>	<u>\$ 112,785</u>	<u>\$ 147,208</u>	<u>\$ 25</u>	<u>\$ 260,018</u>

**CAMPBELL COUNTY BOARD OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**SPECIAL REVENUE FUNDS**  
**Year Ended June 30, 2003**

	<b>Federal</b>								
	<b>Title I</b>	<b>IDEA B</b>	<b>IDEA Preschool</b>	<b>Title IV</b>	<b>Tech Prep</b>	<b>Title VI</b>	<b>Title II</b>	<b>Other</b>	<b>Sub-Total Federal</b>
<b>Revenues</b>									
Earnings on Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Local Revenue	-	-	-	-	-	-	-	-	-
Intergovernmental - State	-	-	-	-	-	-	-	-	-
Intergovernmental - Indirect Federal	208,737	600,441	37,747	35,686	11,728	23,574	111,706	53,364	1,082,983
Total Revenues	208,737	600,441	37,747	35,686	11,728	23,574	111,706	53,364	1,082,983
<b>Expenditures</b>									
Current									
Instruction	208,682	270,802	37,747	6,712	4,111	3,771	6,543	37,139	575,507
Support Services									
Student	-	157,704	-	13,100	-	10,183	-	11,022	192,009
Instructional Staff	55	171,935	-	15,874	7,617	9,620	105,163	5,203	315,467
School Administration	-	-	-	-	-	-	-	-	-
Business	-	-	-	-	-	-	-	-	-
Plant Operations	-	-	-	-	-	-	-	-	-
Central Office	-	-	-	-	-	-	-	-	-
Student Transportation	-	-	-	-	-	-	-	-	-
Community Service Operations	-	-	-	-	-	-	-	-	-
Total Expenditures	208,737	600,441	37,747	35,686	11,728	23,574	111,706	53,364	1,082,983
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	-	-	-	-	-	-	-	-
<b>Other Financing Sources (Uses)</b>									
Operating Transfers In	-	-	-	-	-	-	-	-	-
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	-	-	-	-	-	-	-	-	-
<b>Fund Balance July 1, 2002</b>	-	-	-	-	-	-	-	-	-
<b>Fund Balance June 30, 2003</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CAMPBELL COUNTY BOARD OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**SPECIAL REVENUE FUNDS (Continued)**  
**Year Ended June 30, 2003**

		State											
	Sub-Total Federal	KECSAC	Day Treatment	Extended School Services	Family Youth Resource Center	Technology Grant	Gifted & Talented	KERA Preschool	Prof. Devpt.	Textbooks	Other	Other	Total Special Revenue Funds
Revenues													
Earnings on Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,633
Other Local Revenue	-	-	-	-	-	-	-	-	-	-	-	8,394	8,394
Intergovernmental - State	-	276,232	100,000	151,301	141,840	144,232	51,952	313,337	118,272	158,599	320,179	-	1,775,944
Intergovernmental - Indirect Federal	1,082,983	-	-	-	-	-	-	-	-	-	-	-	1,082,983
Total Revenues	1,082,983	276,232	100,000	151,301	141,840	148,865	51,952	313,337	118,272	158,599	320,179	8,394	2,871,954
Expenditures													
Current													
Instruction	575,507	276,232	100,000	147,097	-	48,312	51,952	235,399	608	158,599	222,982	5,833	1,822,521
Support Services													
Student	192,009	-	-	-	-	-	-	-	-	-	-	2,561	194,570
Instructional Staff	315,467	-	-	-	-	139,629	-	16,161	117,664	-	37,941	-	626,862
School Administration	-	-	-	-	-	-	-	-	-	-	3,091	-	3,091
Business	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant Operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Central Office	-	-	-	-	-	1,224	-	-	-	-	-	-	1,224
Student Transportation	-	-	-	4,204	-	-	-	61,777	-	-	-	-	65,981
Community Service Operations	-	-	-	-	141,840	-	-	-	-	-	56,165	-	198,005
Total Expenditures	1,082,983	276,232	100,000	151,301	141,840	189,165	51,952	313,337	118,272	158,599	320,179	8,394	2,912,254
Excess (Deficit) of Revenues Over Expenditures	-	-	-	-	-	(40,300)	-	-	-	-	-	-	(40,300)
Other Financing Sources (Uses)													
Operating Transfers In	-	-	-	-	-	40,300	-	-	-	-	-	-	40,300
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance July 1, 2002	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance June 30, 2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CAMPBELL COUNTY BOARD OF EDUCATION  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
SCHOOL ACTIVITY FUNDS  
June 30, 2003**

	<u>Campbell County High School</u>	<u>Campbell County Middle School</u>	<u>A. J. Jolly Elementary</u>	<u>Highland Heights Elementary</u>	<u>Alexandria Elementary</u>	<u>Grant's Lick Elementary</u>	<u>Donald E. Cline Elementary</u>	<u>John W. Reiley Elementary</u>	<u>Totals</u>
<b>Assets</b>									
Cash and Cash Equivalents	\$ <u>266,104</u>	\$ <u>56,442</u>	\$ <u>10,914</u>	\$ <u>8,595</u>	\$ <u>21,393</u>	\$ <u>19,677</u>	\$ <u>27,831</u>	\$ <u>26,770</u>	\$ <u>437,726</u>
<b>Liabilities</b>									
Due to Student and Support Groups	266,104	56,274	10,176	8,001	21,107	19,677	27,831	21,772	430,942
Accounts Payable	<u>-</u>	<u>168</u>	<u>738</u>	<u>594</u>	<u>286</u>	<u>-</u>	<u>-</u>	<u>4,998</u>	<u>6,784</u>
<b>Total Liabilities</b>	\$ <u>266,104</u>	\$ <u>56,442</u>	\$ <u>10,914</u>	\$ <u>8,595</u>	\$ <u>21,393</u>	\$ <u>19,677</u>	\$ <u>27,831</u>	\$ <u>26,770</u>	\$ <u>437,726</u>

**CAMPBELL COUNTY BOARD OF EDUCATION  
CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
June 30, 2003**

<b>Fund Accounts</b>	<b>Cash Balances June 30, 2002</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balances June 30, 2003</b>	<b>Accounts Receivable</b>	<b>(Accounts Payable)</b>	<b>Due to Student and Support Groups June 30, 2003</b>
Academic Boosters	\$ 1,036	\$ 91	\$ -	\$ 1,127	\$ -	\$ -	1,127
Academic Team Expense	617	2,246	2,078	785	-	-	785
Advanced Placement	915	13,030	12,231	1,714	-	-	1,714
Administration	-	12,841	12,841	-	-	-	-
Art	-	8,188	8,188	-	-	-	-
Art Club	211	1,432	979	664	-	-	664
Astronomy	43	125	130	38	-	-	38
Athletic - Administration	5,378	-	5,378	-	-	-	-
Athletic - Baseball	-	9,561	9,561	-	-	-	-
Athletic - Basketball - Boys	-	27,718	27,718	-	-	-	-
Athletic - Basketball - Girls	-	13,169	13,169	-	-	-	-
Athletic - Coke	1,391	4,620	6,011	-	-	-	-
Athletic - Cross Country	-	3,866	3,866	-	-	-	-
Athletic - Football	-	19,366	19,366	-	-	-	-
Athletic - Golf	-	365	365	-	-	-	-
Athletic - Soccer - Boys	-	2,849	2,849	-	-	-	-
Athletic - Soccer - Girls	-	7,427	7,427	-	-	-	-
Athletic - Softball	-	2,473	2,473	-	-	-	-
Athletic - Softball - Slow Pitch	-	1,581	1,581	-	-	-	-
Athletic - Swim	-	4,258	4,258	-	-	-	-
Athletic - Tennis	-	240	240	-	-	-	-
Athletic - Track	-	3,376	3,376	-	-	-	-
Athletic - Volleyball	-	2,549	2,549	-	-	-	-
Athletic - Wrestling	-	11,745	11,745	-	-	-	-
Attendance	150	-	-	150	-	-	150
Band	-	23,570	23,570	-	-	-	-
Band Parents	18,793	185,135	156,666	47,262	-	-	47,262
Beta	259	7,681	7,649	291	-	-	291
Book	12	1,073	576	509	-	-	509

(Continued)

**CAMPBELL COUNTY BOARD OF EDUCATION  
CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
June 30, 2003**

<b>Fund Accounts</b>	<b>Cash Balances June 30, 2002</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balances June 30, 2003</b>	<b>Accounts Receivable</b>	<b>(Accounts Payable)</b>	<b>Due to Student and Support Groups June 30, 2003</b>
Bookstore	\$ 3,440	\$ 4,790	\$ 6,566	\$ 1,664	\$ -	\$ -	1,664
Bowling/Styer	-	1,037	1,030	7	-	-	7
Business Education	870	4,421	500	4,791	-	-	4,791
Caravan	44,099	35,755	34,902	44,952	-	-	44,952
Chess Club	3	75	60	18	-	-	18
Chorus	1,868	12,973	14,841	-	-	-	-
Class Officers	-	400	328	72	-	-	72
Close Up	959	12,814	12,827	946	-	-	946
Coke	-	12,479	12,479	-	-	-	-
Community	533	287	79	741	-	-	741
Computer Lab	-	635	322	313	-	-	313
Computer Program	57	-	31	26	-	-	26
Consumable	-	185,751	185,751	-	-	-	-
Drama	5,345	32,671	35,476	2,540	-	-	2,540
Debate Club	-	119	-	119	-	-	119
Ecology Club	61	-	-	61	-	-	61
Exceptional Ed	271	837	71	1,037	-	-	1,037
Explorers Club	-	-	-	-	-	-	-
Facs	-	3,704	3,704	-	-	-	-
Fast Break	600	4,986	5,586	-	-	-	-
FBLA	20	11,699	11,719	-	-	-	-
FCA	5	-	5	-	-	-	-
FCCLA	-	5,561	5,561	-	-	-	-
FFA	-	21,142	20,230	912	-	-	912
FFA Alumni	-	1,018	299	719	-	-	719
Field	1,523	23,898	25,420	1	-	-	1
Floral Design	-	683	683	-	-	-	-
Foreign Language	634	2,656	1,261	2,029	-	-	2,029
French Club	599	573	929	243	-	-	243

(Continued)

**CAMPBELL COUNTY BOARD OF EDUCATION  
CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
June 30, 2003**

<b>Fund Accounts</b>	<b>Cash Balances June 30, 2002</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balances June 30, 2003</b>	<b>Accounts Receivable</b>	<b>(Accounts Payable)</b>	<b>Due to Student and Support Groups June 30, 2003</b>
General Athletics	\$ 964	\$ 16,653	\$ 13,678	\$ 3,939	\$ -	\$ -	3,939
Guidance Department	-	3,850	3,537	313	-	-	313
Health/PE	-	14,730	14,133	597	-	-	597
Homecoming	241	570	134	677	-	-	677
Home Economics Voc.	4,861	13,330	12,135	6,056	-	-	6,056
Honor Society	724	2,737	3,317	144	-	-	144
Incentive	-	1,000	-	1,000	-	-	1,000
Industrial Tech	665	3,184	2,249	1,600	-	-	1,600
Industrial Tech Fees	586	763	1,095	254	-	-	254
Investors	-	-	-	-	-	-	-
Language Arts	327	3,156	1,737	1,746	-	-	1,746
Library	590	855	565	880	-	-	880
Life Skills	60	-	-	60	-	-	60
Manker Fund	5,038	-	-	5,038	-	-	5,038
Math	2,258	5,206	2,871	4,593	-	-	4,593
Math Club	435	27	30	432	-	-	432
Media	-	675	674	1	-	-	1
Newspaper	-	1,112	1,112	-	-	-	-
Office	-	38,432	38,432	-	-	-	-
Pep Club	796	2,511	2,835	472	-	-	472
Prime Connections	-	1,500	-	1,500	-	-	1,500
Principal's Account	2,479	20,872	15,089	8,262	-	-	8,262
Project Graduation	3,885	6,226	6,571	3,540	-	-	3,540
Prom	2,933	16,920	14,682	5,171	-	-	5,171
Renaissance	520	2,024	2,544	-	-	-	-
St. Jude's Hospital	-	485	485	-	-	-	-
Science	-	12,859	11,810	1,049	-	-	1,049
Social Activities	109	565	674	-	-	-	-
Social Studies	492	3,813	2,471	1,834	-	-	1,834

(Continued)

**CAMPBELL COUNTY BOARD OF EDUCATION  
CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
June 30, 2003**

<b>Fund Accounts</b>	<b>Cash Balances June 30, 2002</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balances June 30, 2003</b>	<b>Accounts Receivable</b>	<b>(Accounts Payable)</b>	<b>Due to Student and Support Groups June 30, 2003</b>
Spanish Club	\$ 1,096	\$ -	\$ 30	\$ 1,066	\$ -	\$ -	1,066
STLP	-	1,562	1,397	165	-	-	165
Student of the Week	159	50	74	135	-	-	135
Student Council	4,634	17,439	11,377	10,696	-	-	10,696
Summer School	2,290	528	120	2,698	-	-	2,698
Textbook	28,594	48,586	50,835	26,345	-	-	26,345
Vending	-	66	-	66	-	-	66
Yellow Ribbon	122	-	-	122	-	-	122
Youth Alive	42	162	99	105	-	-	105
Campbell Co Ed Scholarships	981	22	-	1,003	-	-	1,003
Memorials							
Campbell	17,429	153	-	17,582	-	-	17,582
Carnes	3,903	7,417	10,324	996	-	-	996
Griffith	8,069	719	500	8,288	-	-	8,288
Herbst	8,120	187	2,000	6,307	-	-	6,307
Iles	2,038	-	1,500	538	-	-	538
Kirchoff	588	818	160	1,246	-	-	1,246
Ward	1,111	21	-	1,132	-	-	1,132
White	1,631	5,024	1,750	4,905	-	-	4,905
Fund Raisers							
Baseball - Freshman	1,350	20,052	21,402	-	-	-	-
Basketball - Boys	85	3,675	3,518	242	-	-	242
Basketball - Girls	5,236	10,737	12,020	3,953	-	-	3,953
Cheer - Varsity	-	31,611	31,611	-	-	-	-
Cheer - Freshman	3,136	-	3,136	-	-	-	-
Cross Country	-	7,716	7,716	-	-	-	-
Football	552	1,152	1,704	-	-	-	-
Golf	280	-	89	191	-	-	191
Soccer - Boys	2,584	7,269	9,853	-	-	-	-

(Continued)

**CAMPBELL COUNTY BOARD OF EDUCATION  
CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
June 30, 2003**

<b>Fund Accounts</b>	<b>Cash Balances June 30, 2002</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balances June 30, 2003</b>	<b>Accounts Receivable</b>	<b>(Accounts Payable)</b>	<b>Due to Student and Support Groups June 30, 2003</b>
Soccer - Girls	\$ 4,375	\$ 10,184	\$ 10,938	\$ 3,621	\$ -	\$ -	\$ 3,621
Softball	2,910	3,971	4,475	2,406	-	-	2,406
Softball - Slow Pitch	361	3,253	3,614	-	-	-	-
Swim	618	2,201	2,819	-	-	-	-
Tennis	170	290	460	-	-	-	-
Track	2,599	3,262	5,024	837	-	-	837
Volleyball	333	3,265	3,597	1	-	-	1
Wrestling	134	19,084	17,432	1,786	-	-	1,786
Scholarships							
Campbell County Ed.	1,010	490	1,500	-	-	-	-
Campbell	1,125	2,050	1,000	2,175	-	-	2,175
Campbell Co Athletics	6,000	-	6,000	-	-	-	-
Citizens	366	-	-	366	-	-	366
Hall of Fame	1	1,999	2,000	-	-	-	-
Haynes	-	-	-	-	-	-	-
Raveuscraft	413	-	-	413	-	-	413
PTA ETC	-	200	200	-	-	-	-
SADD	299	144	144	299	-	-	299
Athletic Boosters	4,123	3,349	5,769	1,703	-	-	1,703
Football Boosters	269	5,686	4,128	1,827	-	-	1,827
<b>Total</b>	<b>\$ 236,791</b>	<b>\$ 1,149,988</b>	<b>\$ 1,120,675</b>	<b>\$ 266,104</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 266,104</b>

**CAMPBELL COUNTY BOARD OF EDUCATION  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
June 30, 2003**

<u>Name</u>	<u>Address</u>	<u>Term Expires</u>
<b>Carol Dunn</b>	3767 Smith Road California, KY 41007	December 31, 2004
<b>Michael Combs</b>	5 Fernwood Court Alexandria, KY 41001	December 31, 2006
<b>Charles Eifert</b> Chairman	134 Ridge Hill Drive Highland Heights, KY 41076	December 31, 2006
<b>Steve Morris</b> Vice-Chairman	9 Murnan Road Cold Spring, KY 41076	December 31, 2004
<b>Robert Turner</b>	146 A Fender Road Melbourne, KY 41059	November 11, 2003
<b>Gary Combs</b>	3087 Fender Road Melbourne, KY 41059	December 31, 2004

**ADMINISTRATIVE PERSONNEL**

<b>Roger G. Brady</b> Superintendent and Secretary of Board	Alexandria, KY 41001	Retired Effective September 1, 2003
<b>Diana Heidelberg</b> Superintendent and Secretary of Board	Alexandria, KY 41001	June 30, 2004
<b>Mark Vogt</b> Treasurer of Board	Alexandria, KY 41001	June 30, 2003

**CAMPBELL COUNTY BOARD OF EDUCATION  
SCHEDULE OF INSURANCE  
June 30, 2003**

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Coverage</u>
<u>Blanket Building &amp; Contents - Insurance</u>		
All School Facilities and Contents (Includes Earthquake and Flood Endorsements, Boiler and Machinery)	6/30/2003	\$83,129,492 Building and Personal Property
<u>Workers' Compensation</u>		
All School Employees	12/31/2003	Statutory
<u>Collision, Comprehensive and Property Damage</u>		
School Buses - Other Vehicles Liability - Uninsured and Underinsured Motorists	7/1/2003	\$2,000,000
<u>Comprehensive General Liability</u>		
School Board Members, Superintendent, Certified Employees, Classified Employees, Psychologists and Psychometrists	7/1/2003	\$2,000,000 General Aggregate Level \$1,000,000 Each Occurrence Limit
<u>Educators Legal Liability</u>		
School Board Members, Superintendent, Certified Employees, Classified Employees, Psychologists and Psychometrists	7/1/2003	\$1,000,000
<u>Treasurer's Bond</u>		
Mark W. Vogt	6/30/2003	\$300,000
<u>Treasurer's Bond</u>		
Marietta Randall	6/30/2003	\$150,000
<u>Employees' Blanket Bond</u>		
All Employees	6/30/2003	\$125,000
<u>Depository Bond</u>		
Fifth Third Bank	6/30/2004	\$7,032,256

**CAMPBELL COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2003**

<b>Federal Grants/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantors Number</b>	<b>Disbursement</b>
<b>U.S. Department of Agriculture</b>			
Passed Through State Department of Agriculture			
Food Distribution - Value of Commodities ^	10.550	N/A	\$ 82,022
Passed Through State Department of Education			
School Breakfast Program	10.553	0576-03-05	62,845
School Breakfast Program	10.553	0576-02-05	14,376
National School Lunch Program	10.555	0575-03-02	305,660
National School Lunch Program	10.555	0575-02-02	76,202
Summer Food Service Program	10.559	0574-02-23	8,716
Summer Food Service Program	10.559	0569-02-24	894
<b>Total U.S. Department of Agriculture</b>			<b>\$ 550,715</b>
<b>U.S. Department of Education</b>			
Passed Through State Department of Education			
Title I	84.010	0351-02-01	\$ 42,698
Title I	84.010	0351-03-01	134,684
Program Total			177,382
Title I - Delinquent Child	84.010	0351-03-09	4,096
Title I - Delinquent Child	84.013	N/A	27,259
Program Total			31,355
IDEA - Part B	84.027	0581-03-02	600,441
IDEA - Part B - Preschool	84.173	0587-03-02	37,747
Title VI	84.298	0533-03-02	8,705
Title VI	84.298	0533-02-02	14,534
Title V	84.298	N/A	16,043
Program Total			39,282
Title VI - Class Size Reduction	84.340	0534-02-01	335

^Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**CAMPBELL COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Continued)**  
**Year Ended June 30, 2003**

<b>Federal Grants/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantors Number</b>	<b>Disbursement</b>
Title II - Eisenhower Math/Science	84.281	0530-02-03	<u>3,769</u>
Drug Free Schools	84.186	0590-03-02	<u>35,686</u>
Vocational Educational - Title IIC	84.048	0462-02-32	4,471
Vocational Educational - Title IIC	84.048	0462-03-32	<u>13,090</u>
Program Total			<u>17,561</u>
Service Learning E-Grant	94.004	0743-01-02	<u>1,981</u>
Tech Literacy Challenge	84.318	0736-01-02	<u>17,779</u>
Tech Prep	84.243	N/A	<u>11,728</u>
Title II A	84.367	N/A	<u>107,937</u>
<b>Total Department of Education</b>			<u>1,082,983</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,633,698</u></u>

**CAMPBELL COUNTY BOARD OF EDUCATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Campbell County Board of Education and is presented on the basis of accounting described in Note 2 of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

**NOTE 2 – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At June 30, 2003, the Board had no commodities in inventory.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

State Committee for School District Audits  
Campbell County Board of Education  
Alexandria, Kentucky

We have audited the financial statements of the Campbell County Board of Education as of and for the year ended June 30, 2003, and have issued our report thereon dated November 24, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements included as an appendix to the state audit contract.

Compliance

As part of obtaining reasonable assurance about whether the Campbell County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II (9)(a)-(w) of the state audit contract that are required to be reported under Government Auditing Standards.

However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated November 24, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Campbell County Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

State Committee for School District Audits  
Campbell County Board of Education  
Alexandria, Kentucky

This report is intended for the information and use of management, the Kentucky Department of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky  
November 24, 2003



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

State Committee for School District Audits  
Campbell County Board of Education  
Alexandria, Kentucky

Compliance

We have audited the compliance of the Campbell County Board of Education with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Campbell County Board of Education's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion of the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations"; and the audit requirements included as an appendix to the state audit contract. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Campbell County Board of Education's compliance with those requirements.

In our opinion, the Campbell County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the Campbell County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Campbell County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

State Committee for School District Audits  
Campbell County Board of Education  
Alexandria, Kentucky

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Kentucky Department of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky  
November 24, 2003

**CAMPBELL COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2003**

**SECTION 1 – SUMMARY OF AUDITORS' RESULTS**

<b>FINANCIAL STATEMENTS</b>	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	None Reported
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<b>FEDERAL AWARDS</b>	
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable conditions identified, not considered to be material weaknesses reported for major programs?	None Reported
Type of Major Programs Compliance Opinion	Unqualified
Are there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	No
Major Programs (list):	Food Service (NSLP, Breakfast, Commodities) [CFDA 10.550, 10.553, 10.555 and 10.559]; IDEA B [CFDA 84.027 and 84.173]
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: > all others
Low Risk Auditee?	No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters to be reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters to be reported.

**CAMPBELL COUNTY BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

– None –



Campbell County Board of Education  
Alexandria, Kentucky

In planning and performing our audit of the financial statements of Campbell County Board of Education for the year ended June 30, 2003, we considered the Board's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements.

During the course of our audit, we select samples of activity for our auditing tests. Through these procedures, we became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters. We previously reported on the Board's internal controls in our report dated November 24, 2003. This letter does not affect our report dated November 24, 2003 on the financial statements of the Campbell County Board of Education.

Our findings are presented as follows:

#### **ITEM 01 – ACTIVITY FUNDS**

##### ***Campbell County High School***

- One check did not have the principal's signature.

##### ***Campbell County Middle School***

- No findings.

##### ***John W. Reiley Elementary***

- No findings.

##### ***Grant's Lick Elementary***

- No findings.

##### ***Alexandria Elementary***

- No findings.

##### ***A.J. Jolly Elementary***

- No findings.

##### ***Cline Elementary***

- No findings.

##### ***Highland Heights Elementary***

- No findings.

### **Management's Response**

The missing signature on the one check at the high school was strictly an oversight. The high school checks will continue to require two signatures, and the authorized signers have been reminded of their responsibility to make sure this is done.

### **ITEM 02 – FOOD SERVICE**

During Food Service cash receipt testing, we noted the Reimbursement Claim Report printed from Point-of-Sale (POS) software for the month of January did not agree to the Reimbursement Claim Report filed with the state. The POS Reimbursement Claim Report is used to capture the number of free, reduced and full pay meals that are served for breakfast and lunch at the eight schools. If adjustments to the report are needed, then an updated report should be printed from POS.

### **Management's Response**

The Food Service Director will make sure that he or someone in his department checks and approves the monthly reports for accuracy.

### **ITEM 03 – PERSONNEL**

There were a couple instances where I-9s, W-4s and/or direct deposit authorization forms could not be located for an employee. It should be policy to obtain this documentation from everyone receiving a paycheck, including part-time instructors.

### **Management's Response**

Part of this comment is similar to one from the previous year's audit report. Last year, management addressed the issue about I-9's and W-2's to make sure that controls were in place to ensure that incoming employees had this paperwork. After the audit this year, it was concluded that these deficiencies also relate to documentation on hand for a limited number of employees that have been with the Board for a number of years.

Regarding direct deposit forms, employees have always been required to submit these for the payroll files. However, such forms were originally filed in a central file folder, not in each individual payroll file. Subsequently, it is thought that this central folder was archived among numerous other old payroll files but cannot be located. Please note that there have been no problems with any direct deposits being routed to the wrong accounts; therefore, at the time of origination of such deposits, the payroll department had to have had the proper information.

Regarding I-9's, W-2's and direct deposit forms, an internal audit of every active employee file has been performed. In every case where an executed form was not found to be a part of an individual's file, the employee has been contacted and asked to submit one for the files.

**ITEM 04 – ACCOUNTING**

During audit of cash accounts, we noted numerous outstanding checks greater than 90 days old. We recommend that management resolve any pending issues with these checks and remove them from the listing.

**Management's Response**

It should be noted that, during the course of a year, a number of checks, especially some issued to the Commonwealth of Kentucky or its agencies, take longer than 90 days to clear. Management will make it a part of normal monthly bank reconciliation to review any check over 90 days old and make sure any such check is voided, properly reissued, or remains to be cashed for its original purpose.

We want to express our appreciation to the Superintendent, Mark Vogt, the Board staff and the school secretaries for their courteous assistance during the audit.

VonLehman & Company Inc.

Fort Mitchell, Kentucky  
November 24, 2003